

## 2006 PHARMACIST INCENTIVE PLAN

The following summary is designed to provide a high level overview of the 2006 Pharmacist Incentive Plan. Refer to the full Plan document (attached) for all applicable Plan terms and conditions.

### 2006 Highlights

The objective of all CVS incentive plans is to motivate employees to exceed top line results and maximize store profit, while maintaining high levels of customer service.

In 2006, Pharmacists have the opportunity to earn incentives above target based on store script performance. Payouts increase significantly when script budgets are exceeded, up to a maximum payout of **three times the target**.

Refer to pages:

### Incentive Plan Eligibility

2, 4

Full-time Staff Pharmacists, Pharmacist Floaters, and Pharmacy Team Leaders are eligible to participate in the Pharmacist Incentive Plan. Stores in Arizona, California, Chicago, Minnesota, and Nevada, that opened on or after 1/1/2005 follow the 'New Market' incentive plan. Refer to the Pharmacist New Market incentive document for plan details.

### Incentive Plan Metrics

3

The incentive is based on your store's performance in the following three metrics:

Metric	Results Measured Against	Measurement Tool	Percent (%) of Incentive at Target
Number of Scripts	Store Budget	Weekly Operating Results	50%
Triple 'S', Rx Score	Store Target, Rx Score	Triple 'S' Report Card	30%
Rx Executables, Total Points	Points Available	Store Execution Scorecard	20%

### Required Performance Levels

3

The payment you would receive for exactly meeting each of the three of the metric goals is called the target payout. The target payment can increase or decrease based on your store's performance on each metric.

Metric	Minimum Performance Level Required to Earn a Payout	Performance Level Required to Earn Target Payout	Performance Level Required to Earn the Maximum Payout
Number of Scripts	95% of Budget	100% of Budget	110% of Budget
Triple 'S', Rx Score	3 points below target	2006 Target	2006 Target
Rx Executables, Total Points	36 points	40 points	40 points

### Incentive Opportunity

3

Incentive targets are determined at the end of the plan year (12/31/05), based on your store's average weekly script volume.

Average Weekly Script Volume		Staff Pharmacist Incentive		Team Leader Incentive	
From	To	Target	Maximum	Target	Maximum
0	499	\$500	\$1,500	\$1,500	\$4,500
500	999	\$750	\$2,250	\$2,000	\$6,000
1,000	1,499	\$1,000	\$3,000	\$2,500	\$7,500
1,500	1,999	\$1,500	\$4,500	\$3,000	\$9,000
2,000	2,499	\$1,750	\$5,250	\$3,500	\$10,500
2,500	2,999	\$2,000	\$6,000	\$4,000	\$12,000
3,000	3,499	\$2,250	\$6,750	\$4,500	\$13,500
3,500	9,999	\$2,500	\$7,500	\$5,000	\$15,000



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## **2006 PHARMACIST INCENTIVE PLAN**

### ***I. Plan Objectives***

CVS Corporation has developed this Pharmacist Incentive Plan (the "Plan") to reward Plan Participants (employees of CVS and its subsidiaries) for their role in driving performance.

Incentive awards are based on actual results measured against re-established financial goals and individual performance objectives.

### ***II. Effective Date***

The Plan is a calendar year plan, which runs from January 1<sup>st</sup> to December 31<sup>st</sup>. All dates in this document occur during the Plan year unless otherwise stated.

### ***III. Eligibility***

Employees classified as full-time Staff Pharmacists, full-time Pharmacist Floaters, full-time Pharmacy Team Leaders, and full-time Pharmacy Department Managers are eligible to participate in the Pharmacist incentive plan. Eligibility is based on time in the position and is prorated by the number of full months worked during the year.

#### **A. New Pharmacists**

Pharmacists must be employed on or before November 1<sup>st</sup> of the current Plan year in order to be eligible for a Plan payout. The incentive will be prorated based on the number of months in the position.

#### **B. Transfers**

Pharmacists who change store assignments within the course of a Plan year will be eligible for partial awards based on the number of full months he/she is assigned to a store.

#### **C. Promotions/Demotions**

Pharmacists who are promoted to another incentive eligible position will be eligible for partial awards based on their time in each position.

**Employees who are demoted to a non-incentive eligible position (e.g. part-time Pharmacist or Pharmacy Technician) and are in that position at the end of the plan year (12/31) are not eligible to receive an incentive for that plan year.**

Employees who are promoted to a Regional Support Pharmacist position are eligible to receive an incentive for the portion of time worked in an incentive-eligible position during the plan year.

#### **D. Terminations**

To be eligible for an incentive, a Pharmacist must be employed as of the end of the Plan year (December 31st). Additionally, any Pharmacist terminated for a gross violation or violation of Company policy prior to the receipt of his/her incentive will NOT be eligible for an incentive.

#### **E. Rehires**

Pharmacists who are rehired on or before November 1<sup>st</sup> of the Plan year are eligible to receive a prorated incentive based on the time actively employed by CVS during the plan year. Credit will only be given for time spent in incentive-eligible positions

### ***VI. Plan Payout***

#### **A. Incentives**

Incentives will be paid annually. Incentive checks will be distributed on or around March 15th following the Plan year.

#### **B. Calculations**

Calculations, for both full and partial awards, will be based on the number of months worked in a particular store and position. Months worked will be rounded up or down to full month increments for purposes of the incentive calculation.

Full-time Pharmacist Floaters will be paid based on their home store at the end of the plan year. The Pharmacy Supervisor will also have the option to prorate the Pharmacist's incentive to reflect the stores in which the Pharmacist worked during the plan year.

## **2006 PHARMACIST INCENTIVE PLAN**

### **VII. The Plan**

The following criteria will be used to determine each Pharmacist's incentive award for the Plan year:

<b>Metric</b>	<b>Results Measured Against</b>	<b>Measurement Tool</b>	<b>Percent (%) of Incentive at Target</b>
Number of Scripts	Store Budget	Weekly Operating Results	50%
Triple 'S', Rx Score	Store Target, Rx Score	Triple 'S' Report Card	30%
Rx Executables, Total Points	Points Available	Store Execution Scorecard	20%

The following performance levels are required to earn any payout under the incentive plan. Payouts for performance below the threshold are \$0.00.

<b>~ Range of Performance Levels ~</b>			
<b>Metric</b>	<b>Threshold</b>	<b>Target</b>	<b>Maximum</b>
Number of Scripts	95% of Budget	100% of Budget	110% of Budget
Triple 'S', Rx Score	3 points below target	2006 Target	2006 Target
Rx Executables, Total Points	36 points	40 points	40 points

The target payout is earned by exactly meeting performance goals in each of the three metrics. Individual targets are set based on average weekly script volume, as follows:

<b>Average Weekly Script Volume</b>		<b>Level (for Reference)</b>	<b>Staff Pharmacist Incentive Target</b>	<b>Team Leader Incentive Target</b>
<b>From</b>	<b>To</b>			
0	499	1	\$500	\$1,500
500	999	2	\$750	\$2,000
1,000	1,499	3	\$1,000	\$2,500
1,500	1,999	4	\$1,500	\$3,000
2,000	2,499	5	\$1,750	\$3,500
2,500	2,999	6	\$2,000	\$4,000
3,000	3,499	7	\$2,250	\$4,500
3,500	9,999	8	\$2,500	\$5,000

Weekly script volume is determined at the end of the plan year, and is based on the total scripts filled during the plan year divided by the number of weeks the store was open during the plan year.

#### **A. Scripts**

The value of the Scripts to Budget segment is 50% of the total incentive award. This segment of the incentive measures actual scripts filled for the plan year against budgeted scripts for the plan year. The incentive payout increases incrementally with performance between 95% and 110% of budget.

#### **B. Rx Triple 'S'**

This segment of the incentive measures the Pharmacist's support for CVS's stock, shop, and service improvement initiatives. The value of the Rx Triple 'S' segment of the incentive is 30% of the total incentive award at target. Each store's Triple 'S' goal is based on an improvement over the previous year's score.

The incentive targets and payouts are based on the overall Rx Triple 'S' score for the store.

The Rx Triple 'S' target and actual performance for your store can be found on the Rx Score line of the Triple 'S' Scorecard.

#### **C. Rx Executables**

The value of the Rx Executables segment is 20% of the total incentive award. This segment of the incentive measures the Pharmacist's performance against operational activities that drive Pharmacy sales and store profit.

The Rx Executables target is the total number of points available. The threshold is equal to 90% of the target score, or 36 points for stores. The year-end score will be used as the basis for the incentive payment.

## **2006 PHARMACIST INCENTIVE PLAN**

### **VI. Payment Calculations**

Incentive awards will be calculated, both full and partial, based on the Participant's actual months worked for the respective Plan year. The total award from the Plan is calculated by adding the three component's payouts. **Any corrections to incentive calculations must be submitted to the Compensation Team by March 31<sup>st</sup> in the year in which the incentive checks are distributed.**

### **VII. Plan Administration**

#### **A. Participant Performance**

Unless otherwise authorized by the Participant's manager, to be eligible for payment, a participating employee must be in good standing (e.g., not on probation, written warning or any disciplinary/ performance action plan) during the performance period.

#### **B. Leaves of Absence**

A Plan Participant who is on a company-approved leave of absence prior to December 31<sup>st</sup> and during the time when incentive checks are distributed will receive earned incentive dollars once he/she returns from the leave. If a Plan Participant returns from a leave prior to December 31<sup>st</sup>, he/she will receive earned incentive dollars at the normal time. If the Plan Participant does not return from leave he/she will not receive this incentive.

If a leave of absence occurs during the performance period, only the amount of time actually worked will be included in the incentive calculation.

#### **C. Workers Compensation Leave of Absence**

Employees who return from a company-approved workers compensation leave of absence in a non-incentive eligible position due to reasonable accommodation resulting from the injury will be eligible to receive a prorated incentive. The incentive calculation will be based on the amount of time actively at work in an incentive eligible position during the plan year. Any incentive will be paid in March following the plan year, when all other incentives are paid.

#### **D. Payment in the Event of Reduction in Force, Retirement or Death**

##### **1. Reduction in Force**

If there is a reduction in force before the end of the Plan year, a prorated incentive will be paid to those incentive eligible employees who are affected by the reduction.

##### **2. Retirement**

If a Plan Participant is at least age 55 and has a minimum of 10 years of service with CVS or a predecessor company/subsidiary or is at least age 65 and has a minimum of 5 years of service with CVS or a predecessor company/subsidiary and retires before the end of the Plan year, he/she is eligible to receive a prorated incentive based on the number of months worked during the Plan year. Earned incentives will be paid around March 15<sup>th</sup> following the Plan year.

Plan Participants not meeting the minimum retirement requirements and who retire before the end of the Plan year will not receive an incentive.

##### **3. Death or Disability**

In the case of death or commencement of long-term disability (as defined in the Company's LTD plan) of a Plan Participant, he/she is entitled to any earned, but unpaid incentive at the time payment is typically made. The incentive is paid following the death of an employee. The incentive is calculated using the incentive target and the number of months worked.

The death benefit shall be paid to the Participant's spouse if living; otherwise in equal shares to surviving children of the Participant, or if no surviving children, the Participant's parents in equal shares; and in the event none of the above-named individuals survives the Participant, the death benefit shall be paid to the executor or administrator of the Participant's estate.

In cases of a reduction in force, retirement, and death or disability, the payment of any incentive will be made in March following the plan year, when all other incentives are paid.

## ***2006 PHARMACIST INCENTIVE PLAN***

### **D. Employment Rights**

This Plan does not create an express or implied contract of employment between CVS and a Participant. Both CVS and a Participant retain the right to terminate the employment relationship at any time and for any reason.

### **E. Rights are Non-Assignable**

Neither the Participant nor any beneficiary nor any other person shall have any right to assign the right to receive payments hereunder, in whole or in part, which payments are non-assignable and non-transferable, whether voluntarily or involuntarily.

### **F. Compliance with Applicable Regulations**

In order to be eligible to receive an incentive award under this Plan, a Participant must comply with all applicable state and federal regulations and CVS policies.

### **G. Change in Control**

In the event of a change in control, this Plan shall remain in full effect until such time as it may be ratified, modified or abolished by the acquiring entity. Any modifications to or dissolution of this Plan by the acquiring entity may only occur prospectively and will not effect entitlements, incentive earnings or eligibility before the date of the change in control, or such date as it may be modified or abolished by the acquiring entity. Agreements outlined in individual Change in Control documents supercede those appearing in incentive plan documents.

### **H. 1997 Incentive Compensation Plan**

All provisions stated in the 1997 Incentive Compensation Plan will supercede those appearing in the incentive plan documents.

### **I. Withholding**

All required deductions will be withheld from the incentive awards prior to distribution. This includes federal, state or local taxes, as well as any 401(k) deductions elected. Incentive awards that are deferred will be taxed according to the terms of the Deferred Compensation Plan.

### **J. Plan Amendment/Modification/Termination**

CVS retains the right to amend, modify, or terminate this Plan at any time, with or without notice to Participants, and for any reason. Any changes that adversely affect a Participant's award will be prospective.

### **K. Plan Interpretation**

Any dispute or need for interpretation of any provision in the Plan, must be submitted to Compensation by the Participant's manager. Failure to properly submit a dispute or question, within 30 days of distribution of the bonus, may result in a waiver of a Participant's rights hereunder.

## **2006 PHARMACIST INCENTIVE PLAN**

### APPENDIX: Staff Pharmacist Incentive Payout Grids

<b>Scripts to Budget Result</b>	<b>Store Incentive Level (Reference to Avg. Weekly Script Volume)</b>							
	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>	<b>6</b>	<b>7</b>	<b>8</b>
94% or lower	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
95%	\$130	\$190	\$250	\$380	\$440	\$500	\$560	\$630
96%	\$140	\$210	\$280	\$420	\$490	\$560	\$630	\$700
97%	\$160	\$230	\$310	\$470	\$550	\$630	\$700	\$780
98%	\$170	\$260	\$340	\$520	\$600	\$690	\$770	\$860
99%	\$190	\$280	\$380	\$560	\$660	\$750	\$840	\$940
<b>100%</b>	<b>\$250</b>	<b>\$375</b>	<b>\$500</b>	<b>\$750</b>	<b>\$875</b>	<b>\$1,000</b>	<b>\$1,125</b>	<b>\$1,250</b>
101%	\$280	\$410	\$550	\$830	\$960	\$1,100	\$1,240	\$1,380
102%	\$310	\$470	\$630	\$940	\$1,090	\$1,250	\$1,410	\$1,560
103%	\$340	\$510	\$680	\$1,010	\$1,180	\$1,350	\$1,520	\$1,690
104%	\$410	\$620	\$830	\$1,240	\$1,440	\$1,650	\$1,860	\$2,060
105%	\$630	\$940	\$1,250	\$1,880	\$2,190	\$2,500	\$2,810	\$3,130
106%	\$750	\$1,130	\$1,500	\$2,250	\$2,630	\$3,000	\$3,380	\$3,750
107%	\$880	\$1,310	\$1,750	\$2,630	\$3,060	\$3,500	\$3,940	\$4,380
108%	\$1,000	\$1,500	\$2,000	\$3,000	\$3,500	\$4,000	\$4,500	\$5,000
109%	\$1,130	\$1,690	\$2,250	\$3,380	\$3,940	\$4,500	\$5,060	\$5,630
110% or higher	\$1,250	\$1,880	\$2,500	\$3,750	\$4,380	\$5,000	\$5,630	\$6,250

<b>Rx Executables Result</b>	<b>Store Incentive Level (Reference to Avg. Weekly Script Volume)</b>							
	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>	<b>6</b>	<b>7</b>	<b>8</b>
<b>40</b>	<b>\$100</b>	<b>\$150</b>	<b>\$200</b>	<b>\$300</b>	<b>\$350</b>	<b>\$400</b>	<b>\$450</b>	<b>\$500</b>
39	\$88	\$132	\$176	\$264	\$308	\$352	\$396	\$440
38	\$76	\$114	\$152	\$228	\$266	\$304	\$342	\$380
37	\$64	\$96	\$128	\$192	\$224	\$256	\$288	\$320
36	\$50	\$75	\$100	\$150	\$175	\$200	\$225	\$250
35 or lower	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0

<b>Rx Triple 'S' Result</b>	<b>Store Incentive Level (Reference to Avg. Weekly Script Volume)</b>							
	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>	<b>6</b>	<b>7</b>	<b>8</b>
<b>Target</b>	<b>\$150</b>	<b>\$225</b>	<b>\$300</b>	<b>\$450</b>	<b>\$525</b>	<b>\$600</b>	<b>\$675</b>	<b>\$750</b>
1 point below target	\$113	\$169	\$225	\$338	\$394	\$450	\$506	\$563
2 points below target	\$75	\$113	\$150	\$225	\$263	\$300	\$338	\$375
3 points below target	\$38	\$56	\$75	\$113	\$131	\$150	\$169	\$188
More than 3 points below target	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0

## **2006 PHARMACIST INCENTIVE PLAN**

### APPENDIX: Pharmacy Team Leader Incentive Payout Grids

<b>Scripts to Budget Result</b>	<b>Store Incentive Level (Reference to Avg. Weekly Script Volume)</b>							
	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>	<b>6</b>	<b>7</b>	<b>8</b>
94% or lower	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
95%	\$380	\$500	\$630	\$750	\$880	\$1,000	\$1,130	\$1,250
96%	\$420	\$560	\$700	\$840	\$980	\$1,130	\$1,270	\$1,410
97%	\$470	\$630	\$780	\$940	\$1,090	\$1,250	\$1,410	\$1,560
98%	\$520	\$690	\$860	\$1,030	\$1,200	\$1,380	\$1,550	\$1,720
99%	\$560	\$750	\$940	\$1,130	\$1,310	\$1,500	\$1,690	\$1,880
<b>100%</b>	<b>\$750</b>	<b>\$1,000</b>	<b>\$1,250</b>	<b>\$1,500</b>	<b>\$1,750</b>	<b>\$2,000</b>	<b>\$2,250</b>	<b>\$2,500</b>
101%	\$830	\$1,100	\$1,380	\$1,650	\$1,930	\$2,200	\$2,480	\$2,750
102%	\$940	\$1,250	\$1,560	\$1,880	\$2,190	\$2,500	\$2,810	\$3,130
103%	\$1,010	\$1,350	\$1,690	\$2,030	\$2,360	\$2,700	\$3,040	\$3,380
104%	\$1,240	\$1,650	\$2,060	\$2,480	\$2,890	\$3,300	\$3,710	\$4,130
105%	\$1,880	\$2,500	\$3,130	\$3,750	\$4,380	\$5,000	\$5,630	\$6,250
106%	\$2,250	\$3,000	\$3,750	\$4,500	\$5,250	\$6,000	\$6,750	\$7,500
107%	\$2,630	\$3,500	\$4,380	\$5,250	\$6,130	\$7,000	\$7,880	\$8,750
108%	\$3,000	\$4,000	\$5,000	\$6,000	\$7,000	\$8,000	\$9,000	\$10,000
109%	\$3,380	\$4,500	\$5,630	\$6,750	\$7,880	\$9,000	\$10,130	\$11,250
110% or higher	\$3,750	\$5,000	\$6,250	\$7,500	\$8,750	\$10,000	\$11,250	\$12,500

<b>Rx Executables Result</b>	<b>Store Incentive Level (Reference to Avg. Weekly Script Volume)</b>							
	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>	<b>6</b>	<b>7</b>	<b>8</b>
<b>40</b>	<b>\$300</b>	<b>\$400</b>	<b>\$500</b>	<b>\$600</b>	<b>\$700</b>	<b>\$800</b>	<b>\$900</b>	<b>\$1,000</b>
39	\$264	\$352	\$440	\$528	\$616	\$704	\$792	\$880
38	\$228	\$304	\$380	\$456	\$532	\$608	\$684	\$760
37	\$192	\$256	\$320	\$384	\$448	\$512	\$576	\$640
36	\$150	\$200	\$250	\$300	\$350	\$400	\$450	\$500
35 or lower	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0

<b>Rx Triple 'S' Result</b>	<b>Store Incentive Level (Reference to Avg. Weekly Script Volume)</b>							
	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>	<b>6</b>	<b>7</b>	<b>8</b>
<b>Target</b>	<b>\$450.00</b>	<b>\$600.00</b>	<b>\$750.00</b>	<b>\$900.00</b>	<b>\$1,050.00</b>	<b>\$1,200.00</b>	<b>\$1,350.00</b>	<b>\$1,500.00</b>
1 point below target	\$337.50	\$450.00	\$562.50	\$675.00	\$787.50	\$900.00	\$1,012.50	\$1,125.00
2 points below target	\$225.00	\$300.00	\$375.00	\$450.00	\$525.00	\$600.00	\$675.00	\$750.00
3 points below target	\$112.50	\$150.00	\$187.50	\$225.00	\$262.50	\$300.00	\$337.50	\$375.00
More than 3 points below target	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0